

Estimating Resources for Poverty Measurement: 1993-2003

Kathleen Short
U.S. Census Bureau

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U S C E N S U S B U R E A U



National Academy of Sciences Recommendation 4.1

In developing poverty statistics, any significant change in the definition of family resources should be accompanied by a consistent adjustment of the poverty thresholds.

It is important that family resources are defined consistently with the threshold concept in any poverty measure (Citro and Michael, 1995, p. 9).

Steps to Calculate Resources

1. Current Population Survey Annual Social and Economic Supplement (CPS)
2. Gross money income from all public and private sources
3. Add value of noncash benefits
4. Subtract necessary expenses

Remainder is available for basic needs

This Paper

Additions and subtractions to gross money income

Effects on official poverty rates

Poverty rates using experimental poverty thresholds

Focus on trends over 1993 to 2003

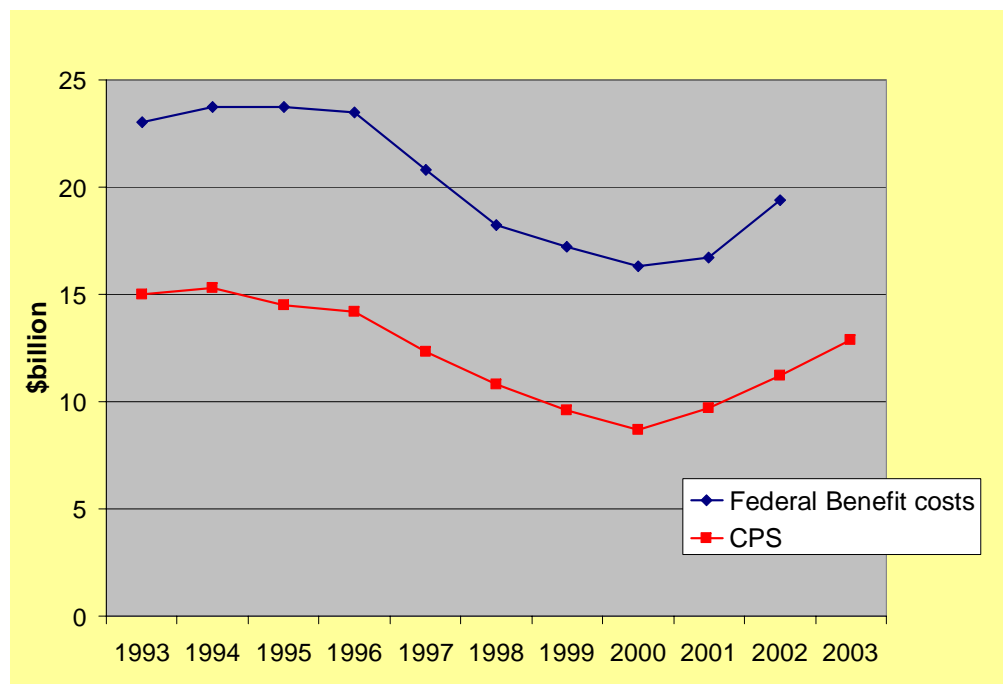
Research issues that need attention

Additions

1. Food stamps
2. Housing subsidies
3. Net implicit income from owned home
4. Tax model
 - a. EITC
 - b. Net realized capital gains

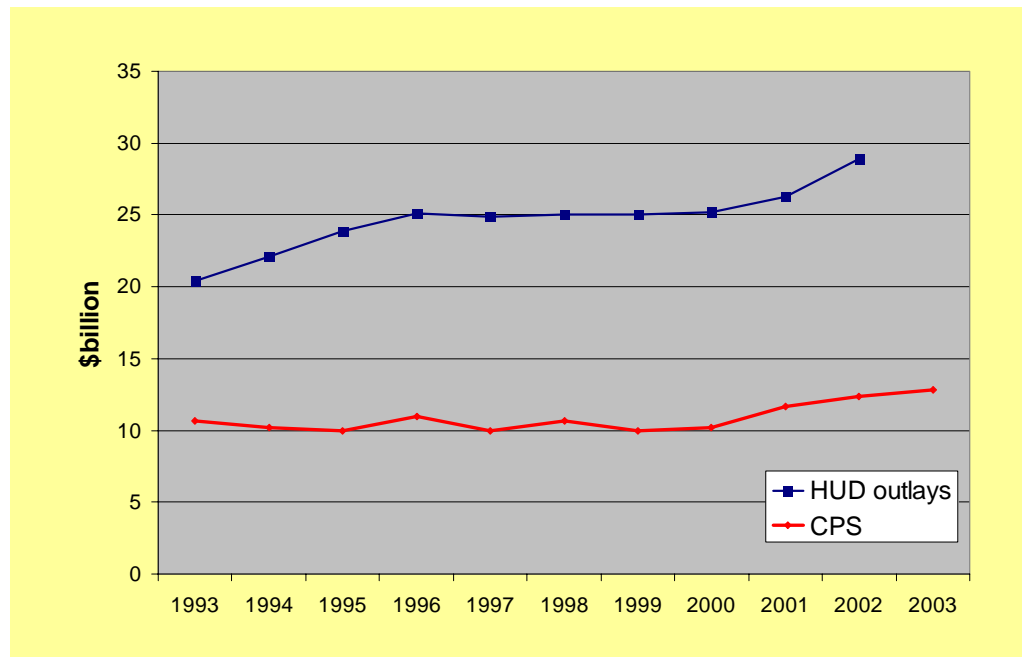
Food Stamps

- Reported receipt last year, total face value.
- In 2003, 5.9% reported mean amount of \$1,743.



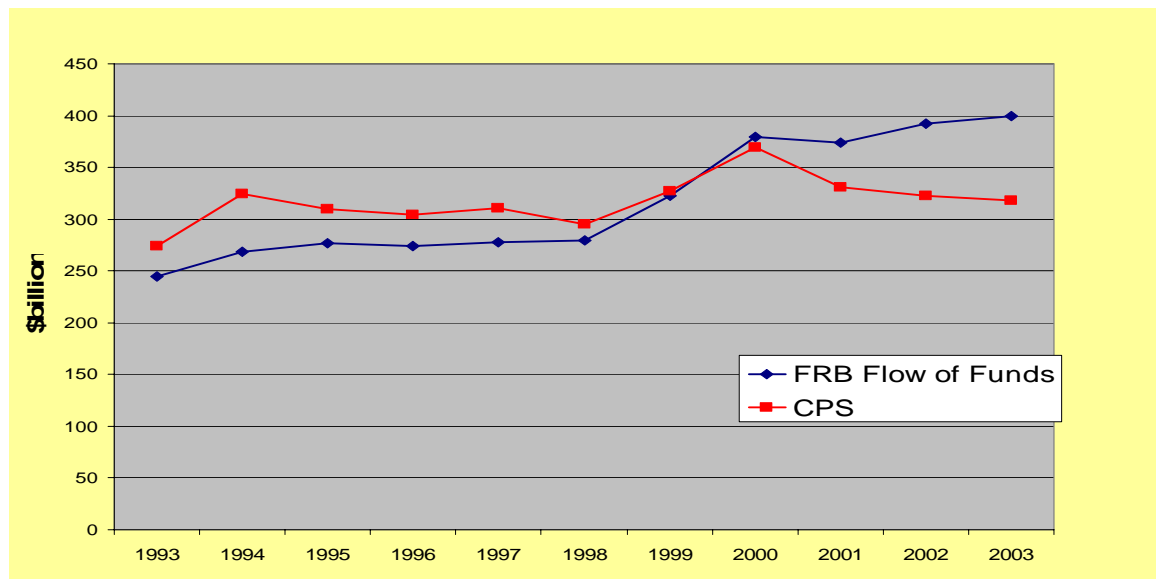
Housing Subsidies

- Reported receipt of 'help with rent' NOW.
- 1985 AHS, updated CPI for rent of primary residence.
- Spending + subsidy = housing consumed
- In 2003, 4.5% with average \$2,271.



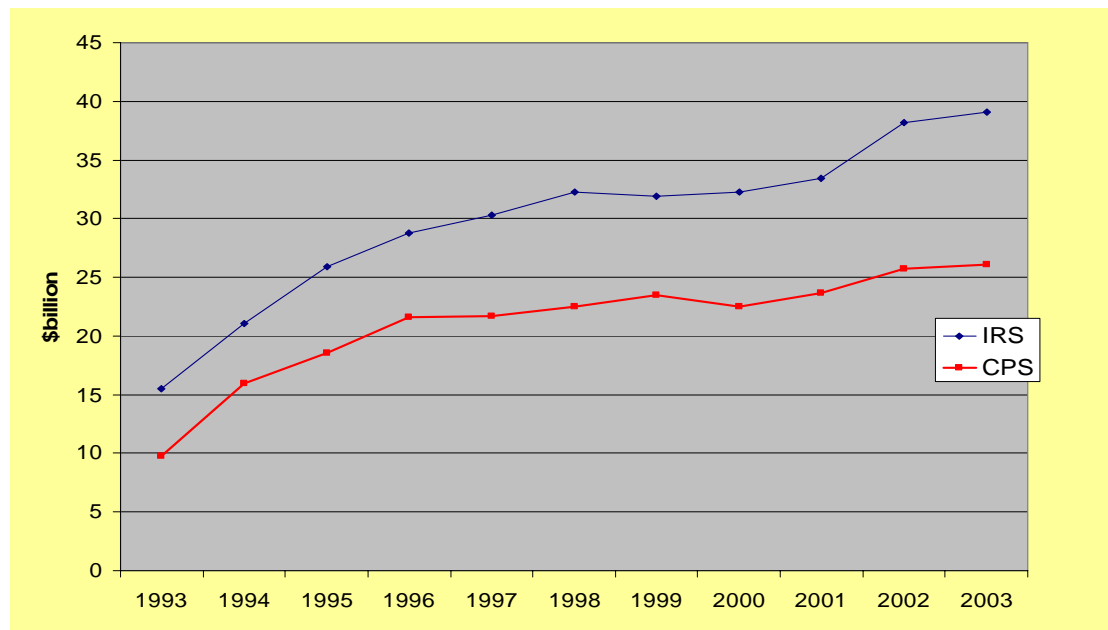
Implicit Income From Owned Home

- Treat homeowners like renters
- Approximate with return to home equity.
- Statistical match to 1995 AHS.
- In 2003, 65% with average of \$3,932.



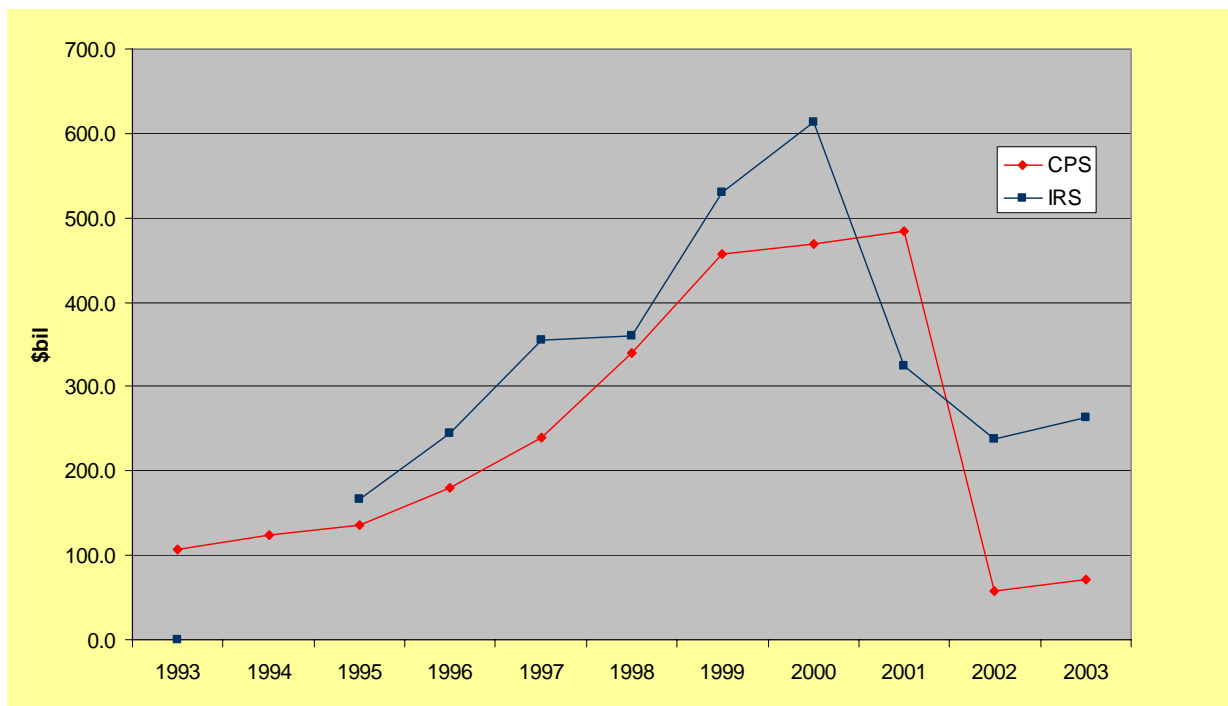
Earned Income Tax Credit

- Part of tax model
- New tax model for 2002 and 2003
- In 2003, 13% of all families average \$1,670



Net Realized Capital Gains

- Part of tax model - differences with new tax model
- Only assigned if tax filer
- In 2003, 10% with gains average \$8,135

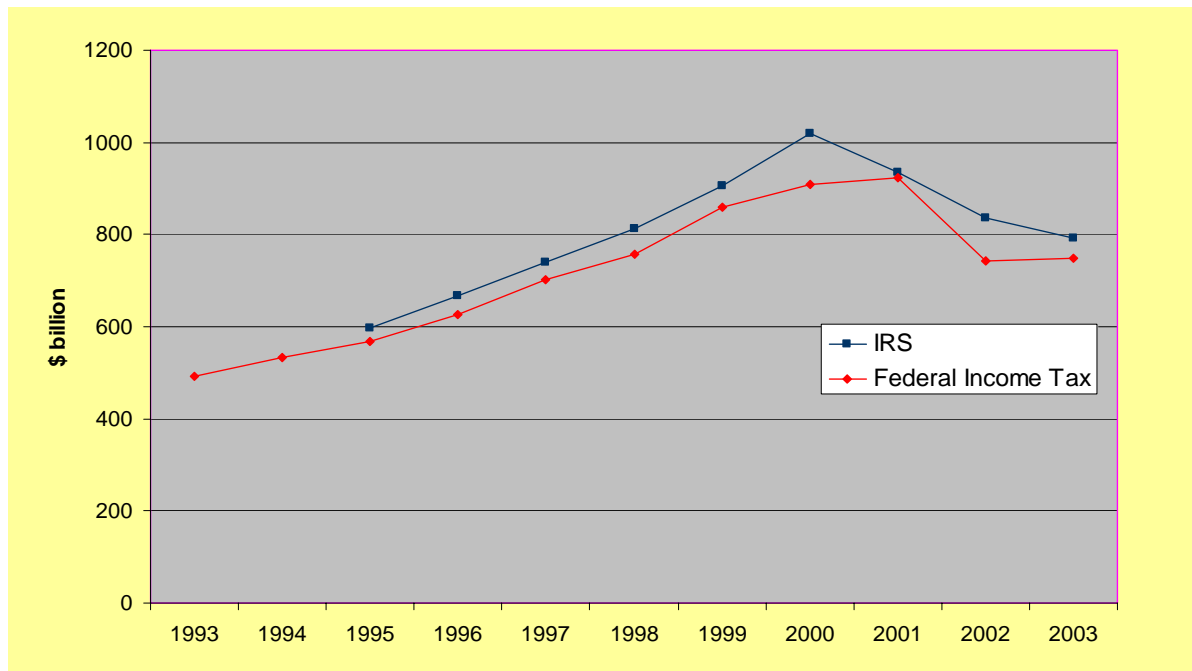


Subtractions

1. Taxes
 - a. Income taxes
 - b. FICA
2. Work related expenses
 - a. Child care expenses
 - b. Transportation, parking, dues, tools, etc.

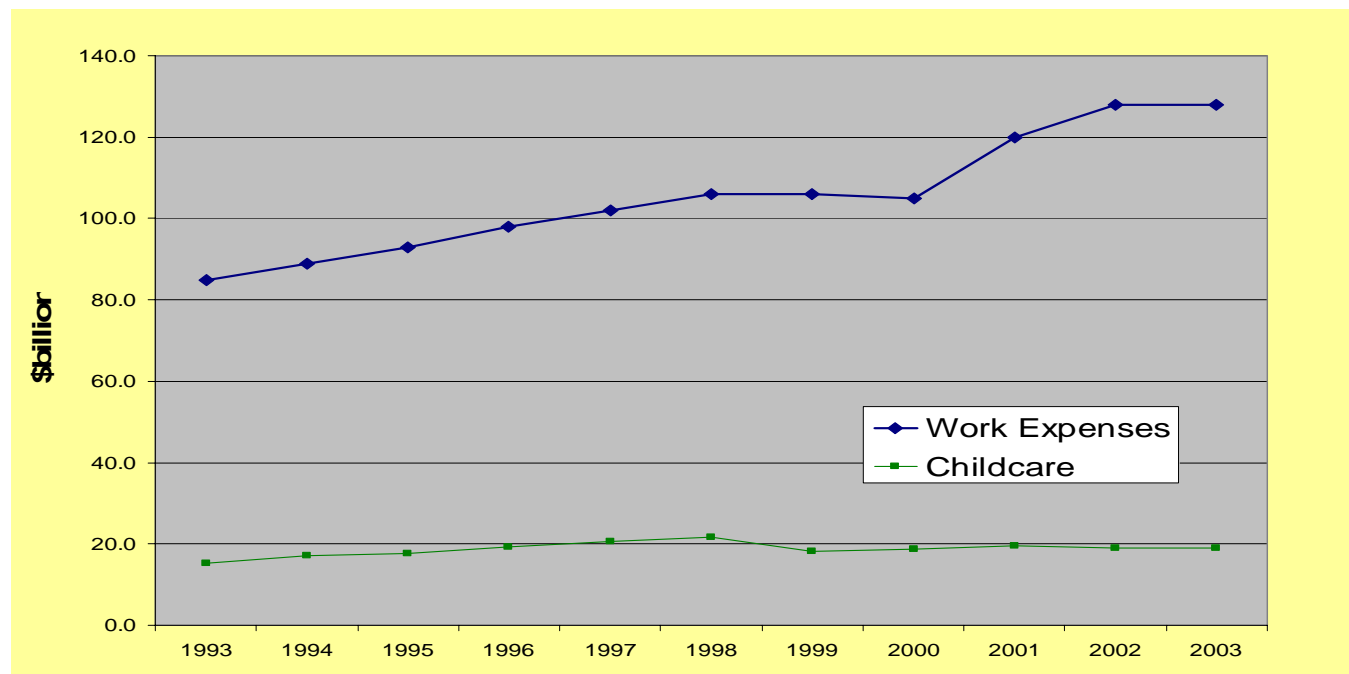
Federal Income Taxes

- New tax model for 2002 and 2003.
- Federal income tax - 67% pay average \$9,064.

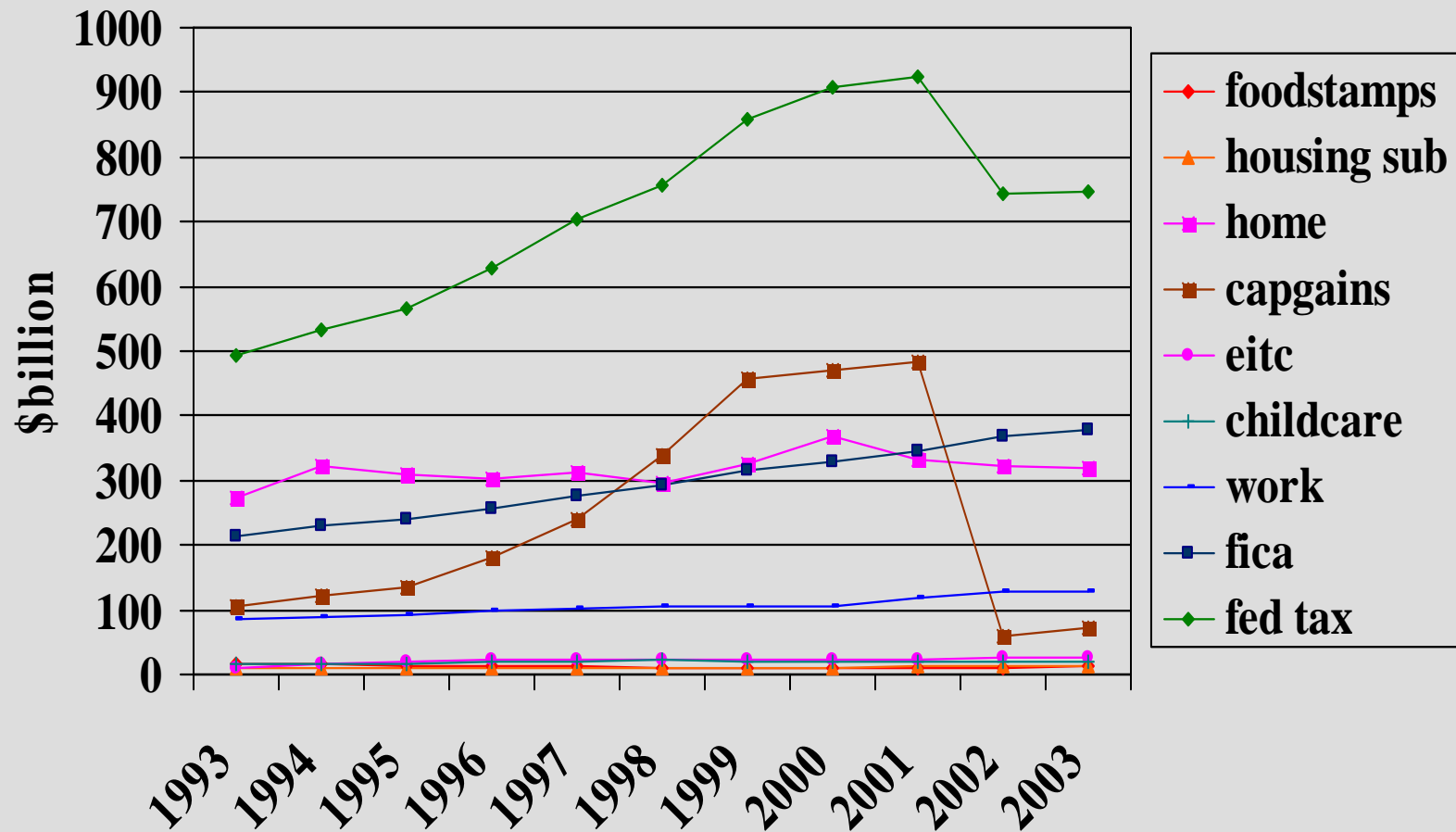


Work Expenses

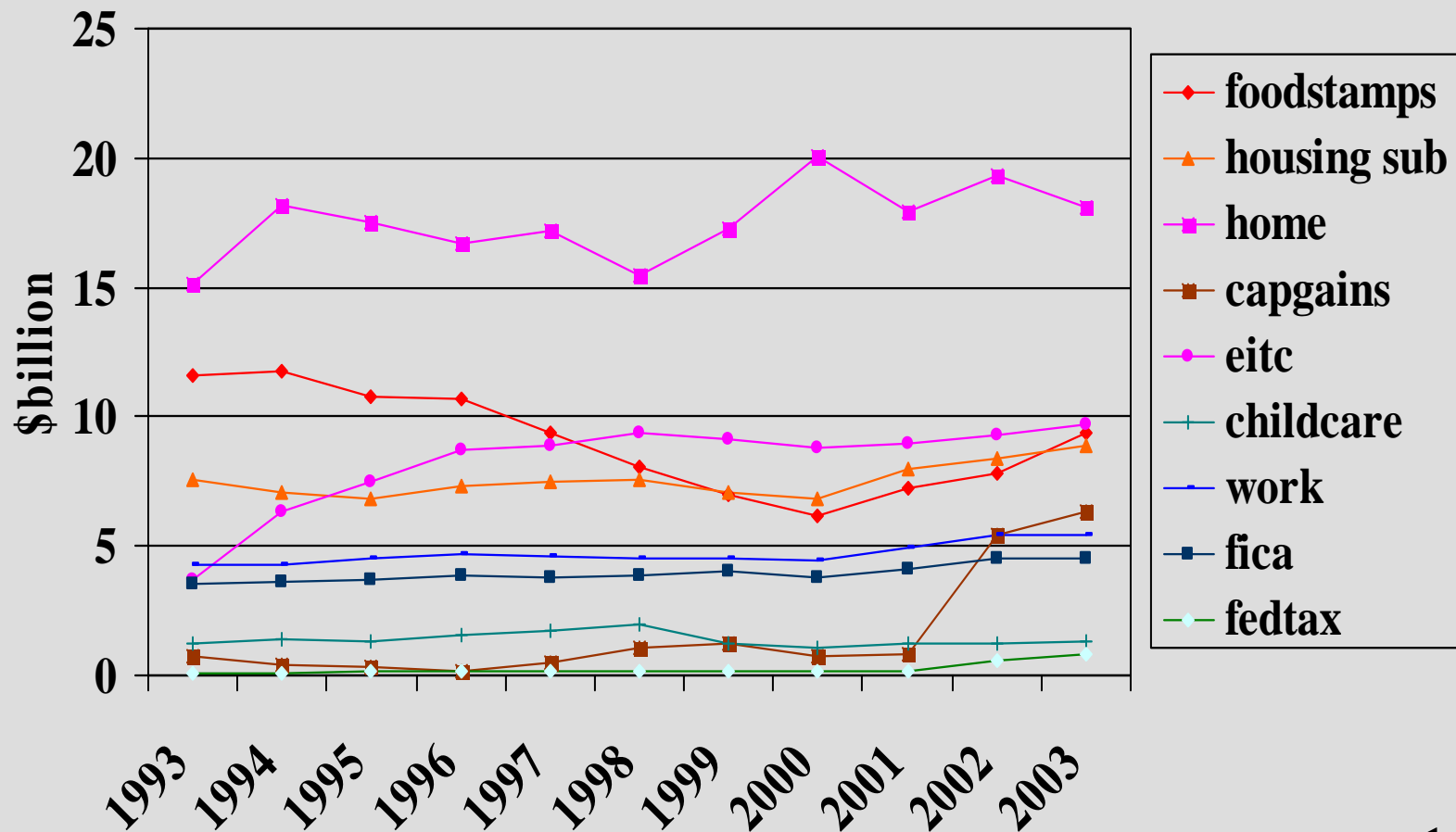
- SIPP module, updated as data are available.
- Mileage * IRS mileage allowance plus parking, tolls, etc.
- 78% in 2003 average amount \$714.
- 5% families pay average \$2,473 for childcare



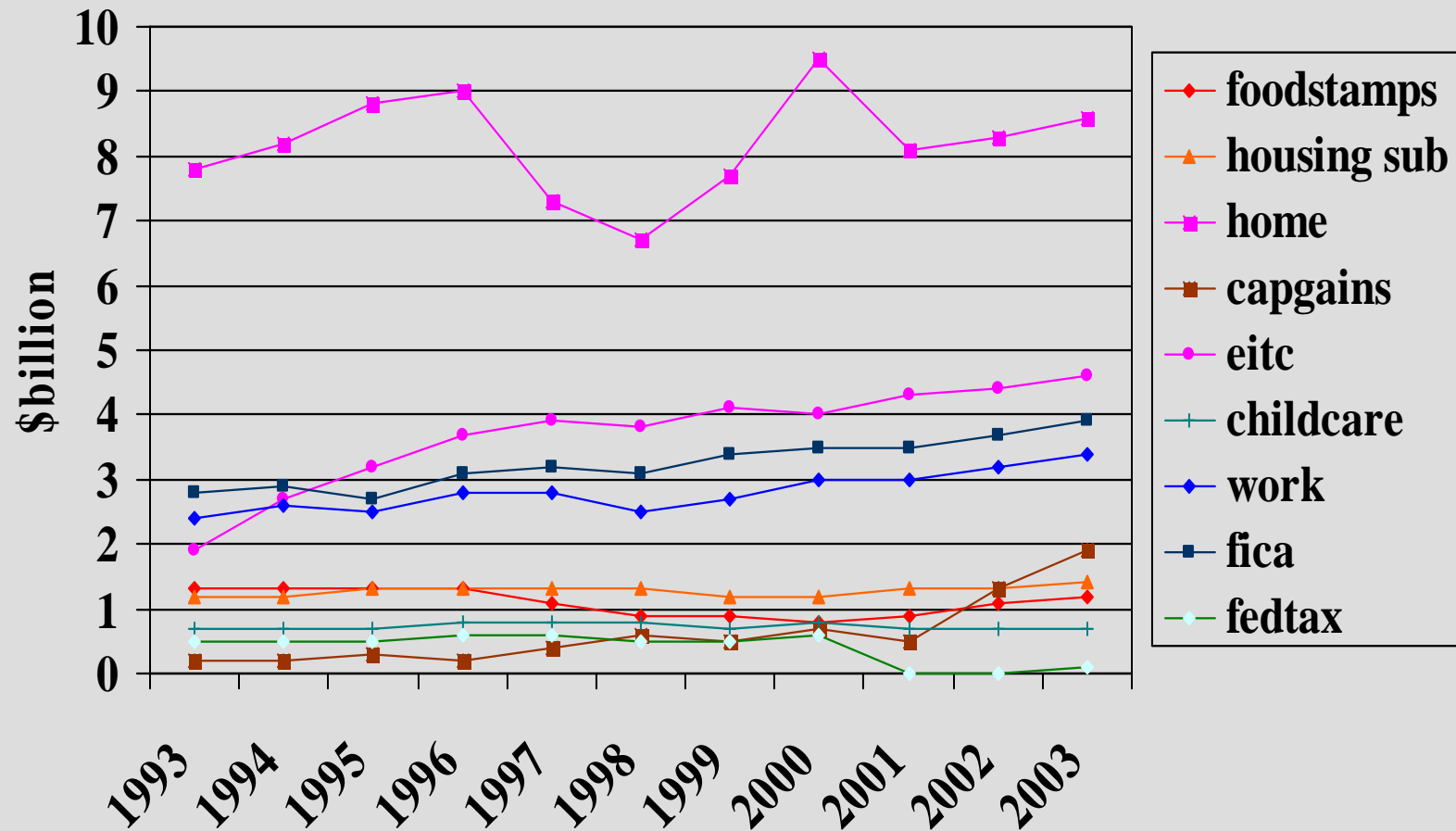
All Families Additions and Subtractions



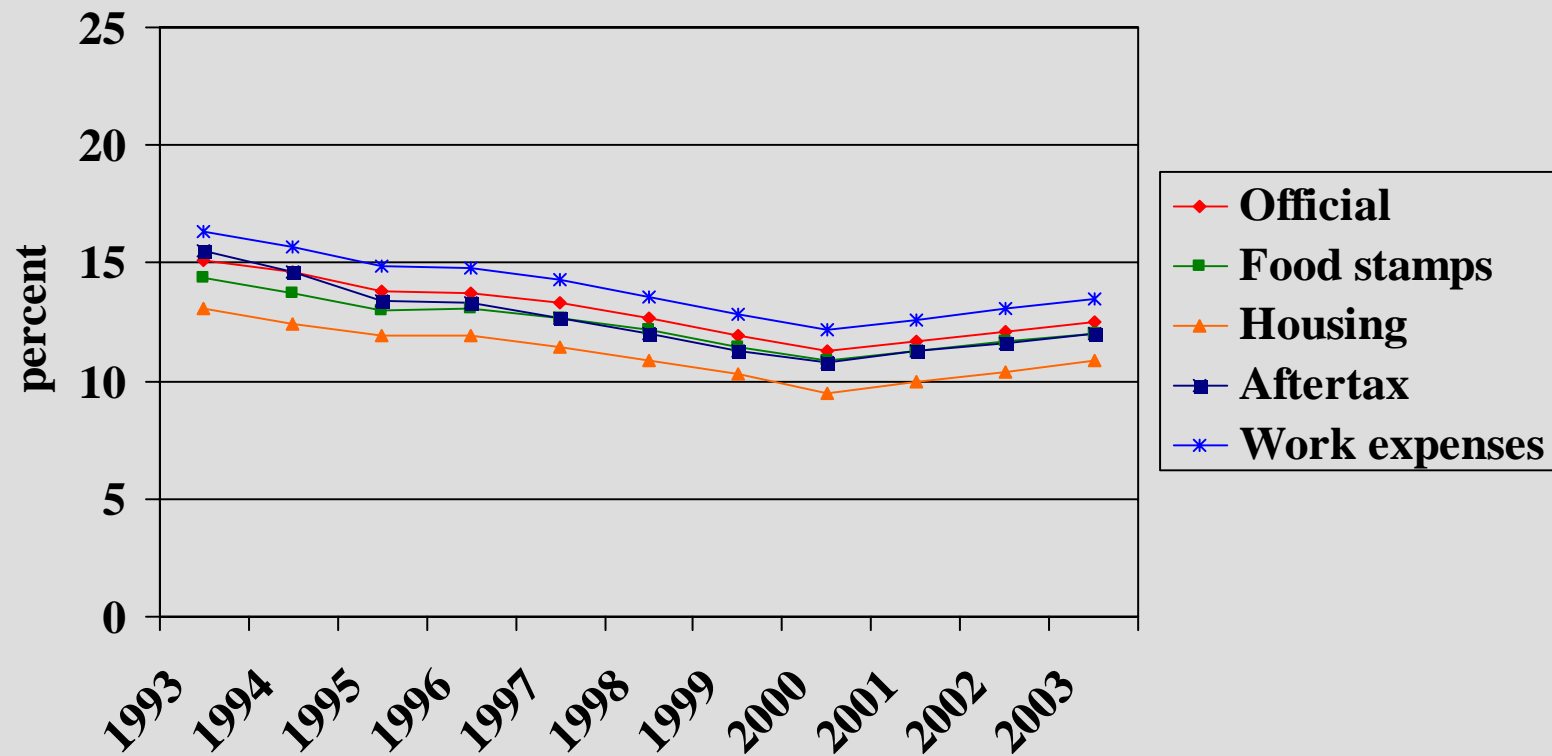
Poor Families Additions and Subtractions



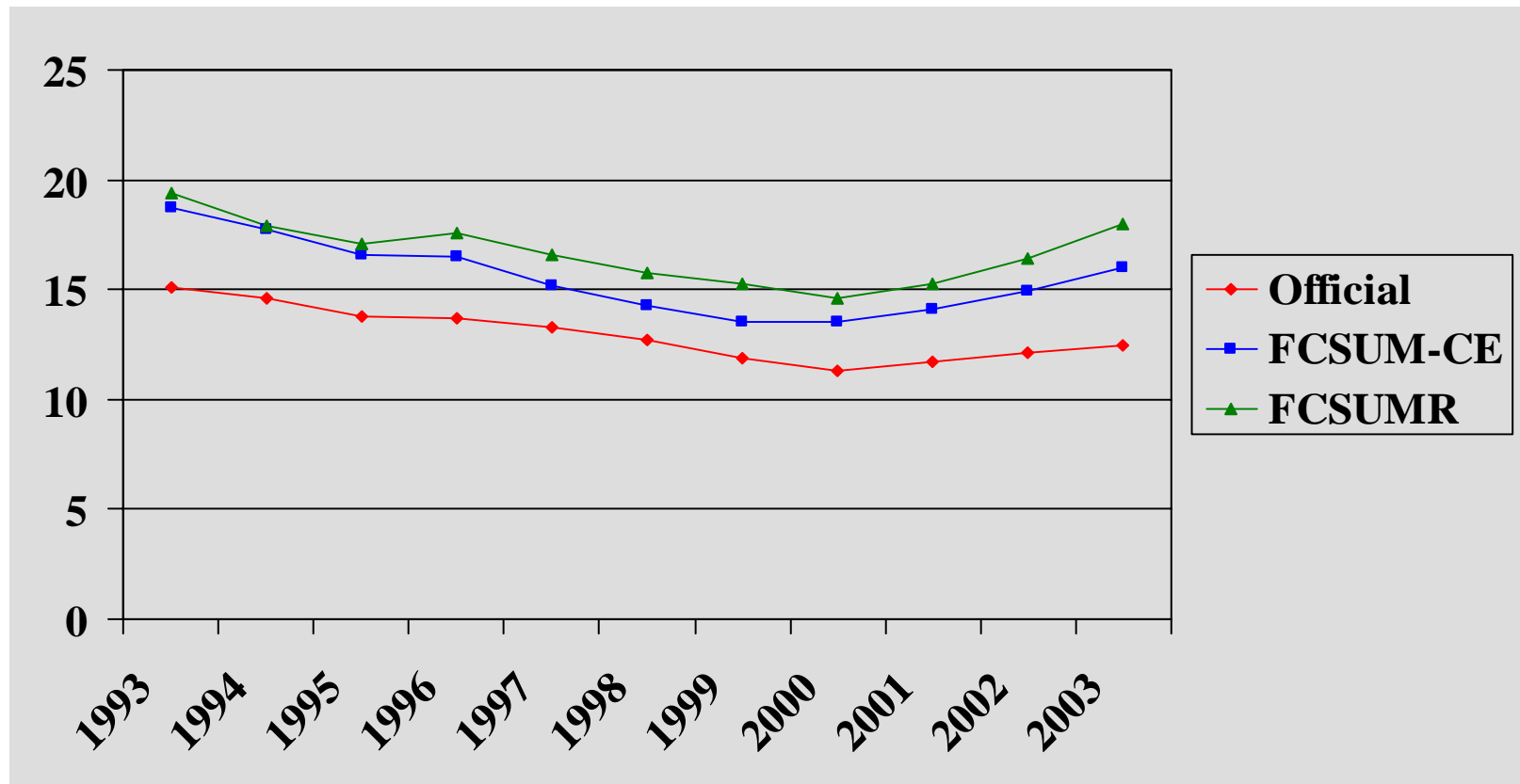
Near Poor Families



Effects on Official Poverty Rates of Each Element

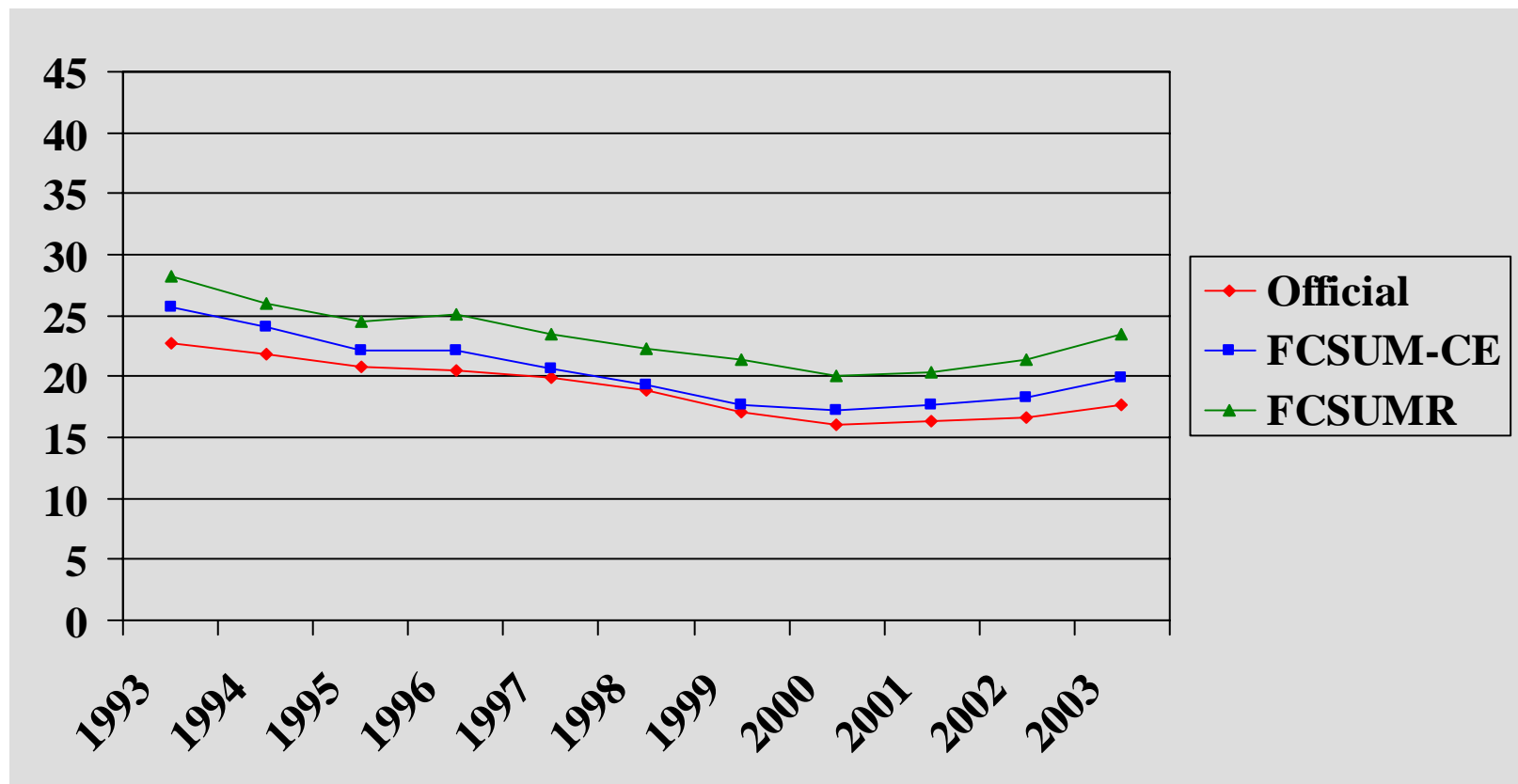


Poverty Rates 1993 - 2003



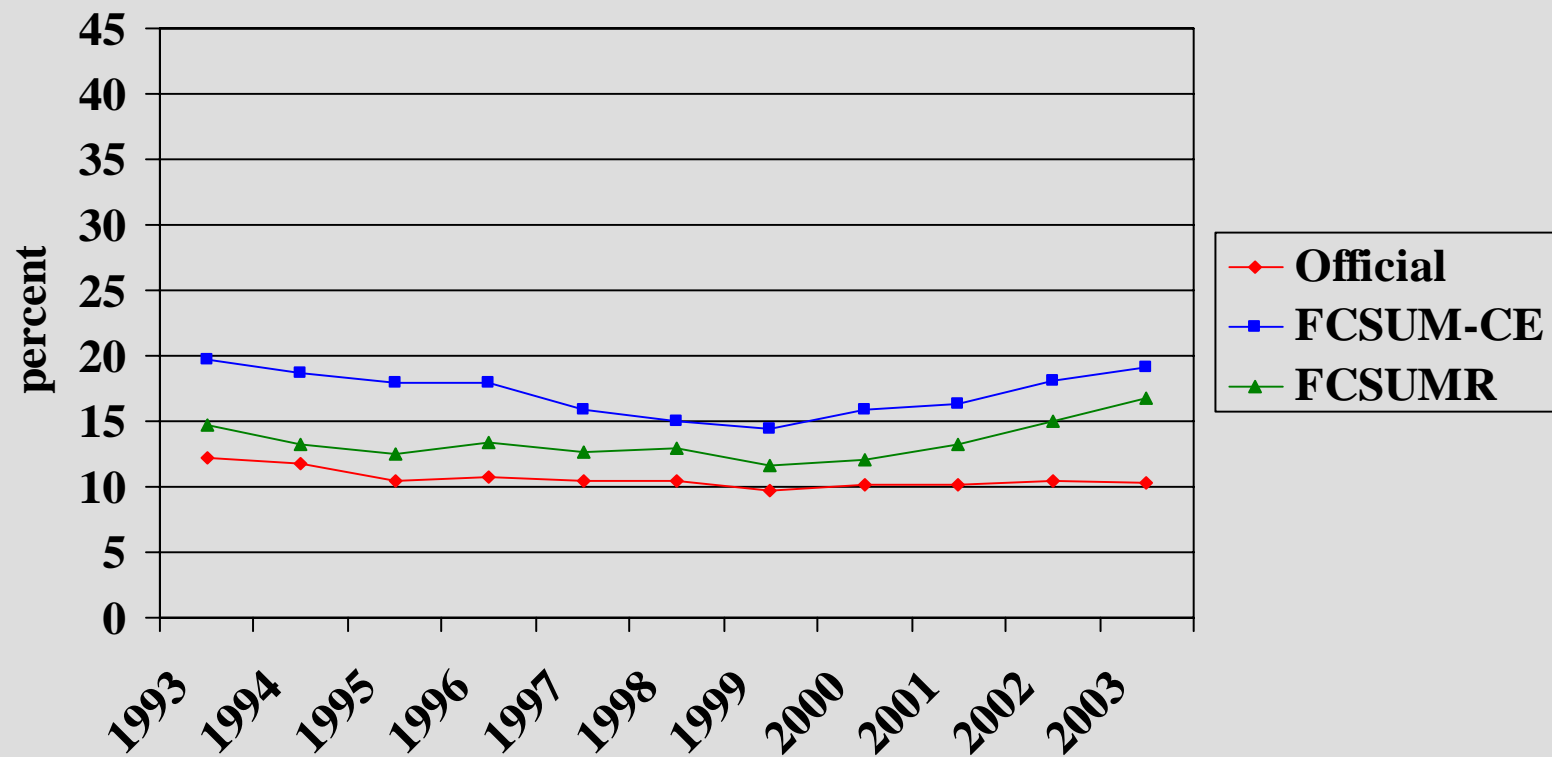
Poverty Rates 1993 – 2003

Children



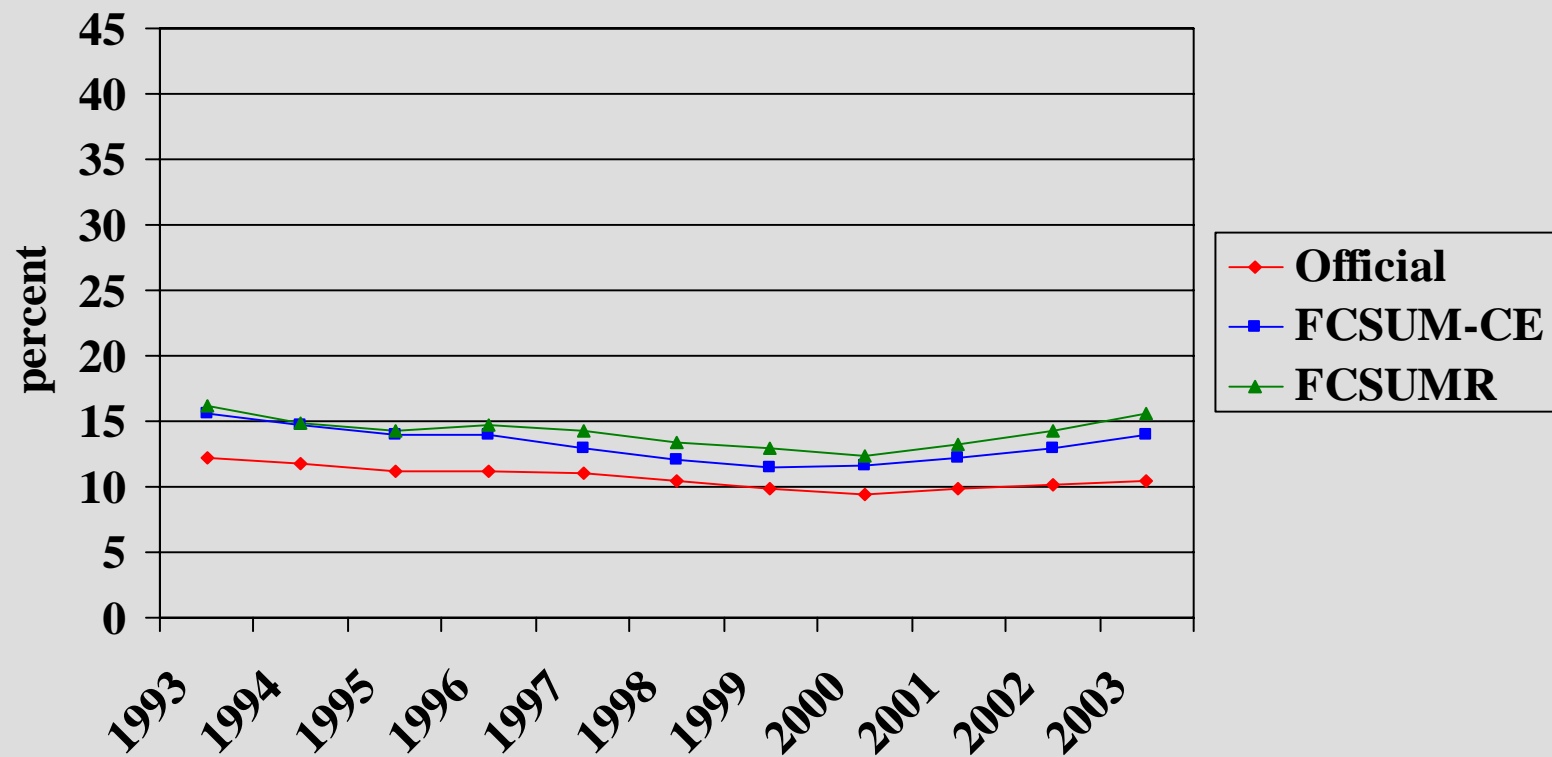
Poverty Rates 1993 – 2003

Elderly



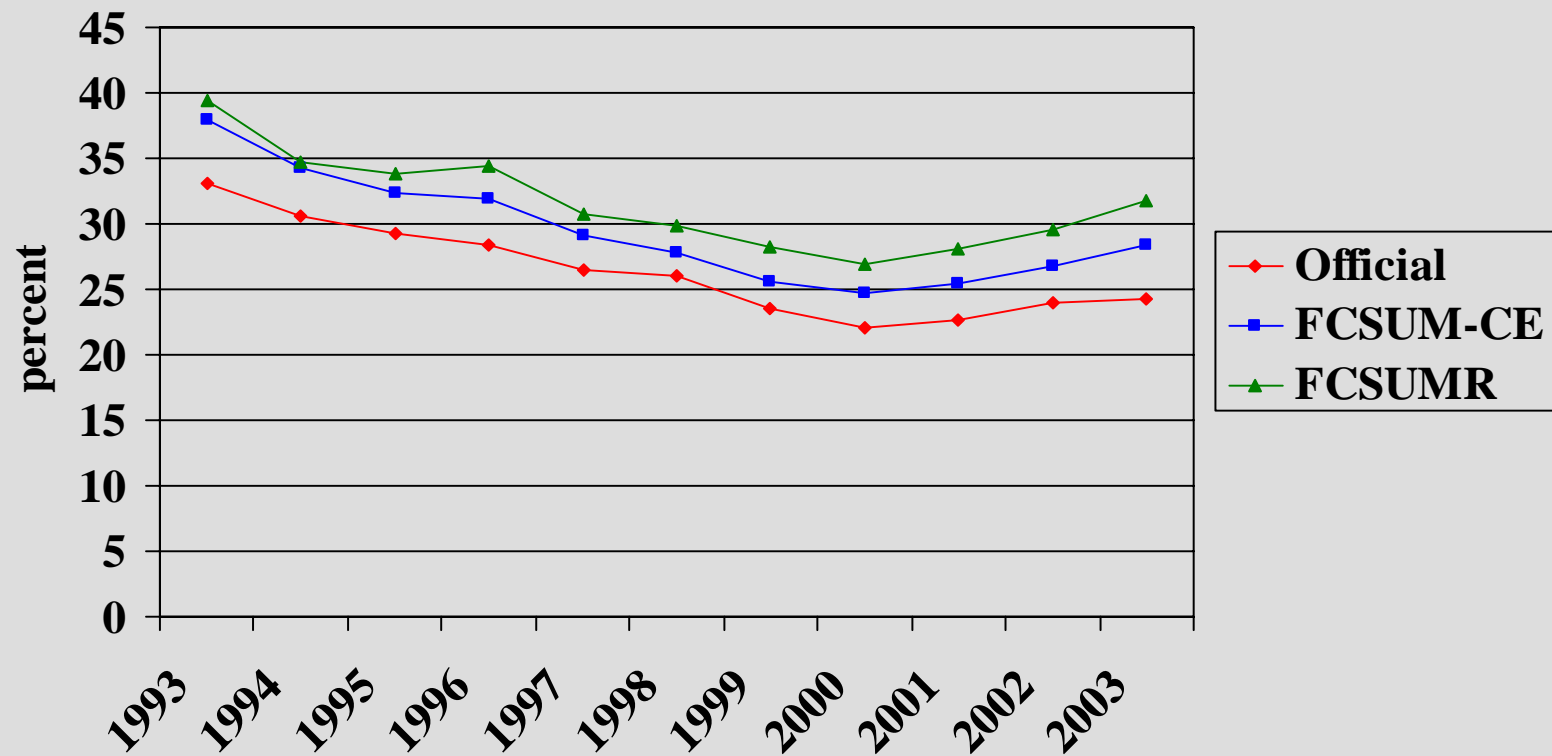
Poverty Rates 1993 – 2003

Whites



Poverty Rates 1993-2003

African Americans



Conclusions

- Many elements require research
 - Interpret estimates with caution
- Resource measure consistent with experimental thresholds
- Using thresholds that reflect current costs of basic goods changes our perception of trends in poverty rates over time.